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Message Text

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61
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

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APPROVED BY NEA: MR. ATHERTON, JR.
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O 110222Z JUN 75
FM SECSTATE WASHDC
TO AMEMBASSY JIDDA IMMEDIATE

S E C R E T STATE 135889

EXDIS

E.O. 11652:GDS
TAGS: PINT, SA
SUBJECT: AGENTS FEES

REF: A) JIDDA 4138 B) STATE 133649

1. AS INDICATED PARA 4 REF B, WE ARE PREPARING MESSAGE REFLECTING USG VIEWS REGARDING APPROPRIATE POLICY CONCERNING SALES COMMISSION UNDER FMS CONTRACTS. THIS SHOULD REACH YOU IN NEXT FEW DAYS. FOLLOWING IS FOR YOUR INFORMATION ONLY IN INTERIM.

2. GENERALLY WE CONTEMPLATE REQUESTING YOU TO SOLICIT SULTAN'S APPROVAL OF POLICY PROHIBITING ALL COMMISSIONS IN FMS CASES UNLESS THEY ARE (A) REASONABLE AND (B) GIVEN PRIOR APPROVAL BY SAG. IF ACCEPTABLE, THIS POLICY WOULD BRING PRACTICE CONCERNING FMS COMMISSIONS IN SAUDI ARABIA IN LINE WITH THAT RECENTLY ADOPTED BY IRAN AND MIGHT BE MODEL FOR WORLD-WIDE APPLICATION.

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3. WHILE SULTAN'S REACTIONS TO NORTHROP DISCLOSURES ARE NOT SURPRISING, THEY MAY NOT CONSTITUTE FINAL STATE-MENT OF SAUDI POLICY. WHILE PROHIBITION OF UNREASONABLE AGENTS FEES NOT DISCLOSED TO OR APPROVED BY SAG WOULD

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APPEAR REASONABLE, WE QUESTION WHETHER RIGID POLICY PROHIBITING ANY AND ALL AGENT'S FEES IN SAUDI ARABIA IS

REALISTIC, WORKABLE OR LEGAL UNDER FMSA OR US CONTRACTING PROCEDURES.

3. REGARDLESS OF PROSPECTIVE POLICY ADOPTED BY SAG, UNLESS SAG PREVAILS UPON KHASHOGGI TO LET NORTHROP OFF THE HOOK, LITIGATION APPEARS LIKELY BETWEEN NORTHROP AND TRIAD SHOULD NORTHROP REFUSE TO ABIDE BY ITS CONTRACTUAL OBLIGATIONS TO PAY TRIAD THE AGREED PERCENTAGE COMMISSION FOR PEACE HAWK IV AND PEACE HAWK III EXTENSION. IN ADDITION, NORTHROP'S FINANCIAL ABILITY TO CONTINUE THE PROJECTS MAY BE PLACED IN DOUBT UNLESS SAG CAN PROMOTE RESOLUTION OF NORTHROP'S LIABILITIES TO KHASHOGGI.

4. BECAUSE OF FOREGOING COMPLEXITIES OF THIS PROBLEM AND FACT NORTHROP DISCLOSURES AFFECTED MANY OTHER COUNTRIES, WE DO NOT BELIEVE USG STATEMENT RELATING SOLELY TO SAG'S PAST OR FUTURE ACTIONS OR POLICIES AS SUGGESTED BY SULTAN (PARA 8 REF A) WOULD BE DESIRABLE AT THIS TIME. HOWEVER, WHEN FINAL SAG POLICY IS ESTABLISHED, WE WOULD WISH TO GIVE IT APPROPRIATE DISSEMINATION. IN ADDITION, AS YOU ARE AWARE, EXECUTIVE BRANCH TESTIMONY BEFORE CHURCH SUB-COMMITTEE NOW SCHEDULED FOR JUNE 23 WILL PROVIDE OPPORTUNITY FOR GENERAL USG POLICY STATEMENT.

5. NORTHROP HEARINGS WERE CONCLUDED MID-DAY JUNE 10 WITHOUT ANY FURTHER DISCLOSURES CONCERNING SAUDI ARABIA. COMMITTEE IS NOW EXPECTED TO FOCUS UPON OVERSEAS COMMERCIAL ACTIVITIES OF OTHER U.S. CORPORATIONS. ACCORDINGLY, WE ANTICIPATE PUBLICITY REGARDING NORTHROP'S ACTIVITIES IN SAUDI ARABIA WILL DIMINISH, HOPEFULLY PRODUCING ATMOSPHERE MORE CONDUCIVE TO DEVELOPMENT OF GENERALLY APPLICABLE POLICY GUIDELINES ON SALES

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